

**REPORT OF THE AUDIT OF THE
HICKMAN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2011**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HICKMAN COUNTY SHERIFF

**For The Year Ended
December 31, 2011**

The Auditor of Public Accounts has completed the Hickman County Sheriff's audit for the year ended December 31, 2011. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$5,041 from the prior year, resulting in excess fees of \$8,635 as of December 31, 2011. Excess fees of \$1,532 are due fiscal court as of the audit date. Revenues decreased by \$19,026 from the prior year and expenditures decreased by \$13,985.

Report Comments:

- 2011-01 The Hickman County Sheriff Had \$531 Of Disallowed Expenditures For Calendar Year 2011
- 2011-02 The Hickman County Sheriff Should Make Deposits In A Timely Manner
- 2001-03 The Hickman County Sheriff Did Not Properly Dispose Of A Firearm As Required By KRS 65.041
- 2011-04 The Hickman County Sheriff's Office Lacks An Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT.....	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS.....	3
NOTES TO FINANCIAL STATEMENT	6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11
COMMENTS AND RECOMMENDATIONS.....	15



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Pruitt, Hickman County Judge/Executive
The Honorable Mark Green, Hickman County Sheriff
Members of the Hickman County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees -regulatory basis of the Sheriff of Hickman County, Kentucky, for the year ended December 31, 2011. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2011, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2012 on our consideration of the Hickman County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Greg Pruitt, Hickman County Judge/Executive
The Honorable Mark Green, Hickman County Sheriff
Members of the Hickman County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2011-01 The Hickman County Sheriff Had \$531 Of Disallowed Expenditures For Calendar Year 2011
- 2011-02 The Hickman County Sheriff Should Make Deposits In A Timely Manner
- 2001-03 The Hickman County Sheriff Did Not Properly Dispose Of A Firearm As Required By KRS 65.041
- 2011-04 The Hickman County Sheriff's Office Lacks An Adequate Segregation Of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Hickman County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a long horizontal flourish extending to the right.

Adam H. Edelen
Auditor of Public Accounts

August 28, 2012

HICKMAN COUNTY
MARK GREEN, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2011

Revenues

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	7,160
State Fees For Services:		
Finance and Administration Cabinet	\$	23,225
Sheriff Security Service	<u>4,387</u>	27,612
Circuit Court Clerk:		
Fines and Fees Collected		2,670
Fiscal Court		34,391
County Clerk - Delinquent Taxes		3,183
Commission On Taxes Collected		79,617
Fees Collected For Services:		
Auto Inspections	2,076	
Accident and Police Reports	93	
Serving Papers	5,710	
Carrying Concealed Deadly Weapon Permits	1,360	
Tax Penalty Fees	12,742	
Transporting Prisoners	1,645	
Court Security	<u>2,060</u>	25,686
Other:		
Miscellaneous		759
Interest Earned		165
Borrowed Money:		
State Advancement		<u>21,000</u>
Total Revenues		202,243

The accompanying notes are an integral part of this financial statement.

HICKMAN COUNTY
 MARK GREEN, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

Expenditures

Operating Expenditures:

Personnel Services-

Deputies' Salaries	\$	34,510	
Other Salaries - Court Security		20,837	

Employee Benefits-

Employer's Share Social Security	1,626		
Employer's Share Retirement	1,090		
Employer Paid Worker's Compensation	2,304		

Contracted Services-

Advertising	452		
Contract Labor	350		

Materials and Supplies-

Office Materials and Supplies	5,496		
Uniforms	6,327		
Telephone	5,712		
Guns & Vest	4,428		
Radio Expense	667		

Auto Expense-

Mileage	21,846		
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Other Charges-

Conventions and Travel	2,309		
Dues	670		
Postage	1,933		
Carrying Concealed Deadly Weapon Permits	80		
Jury Meals	69		

Miscellaneous	830	\$	111,536
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Debt Service:

State Advancement	21,000
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Total Expenditures	132,536
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Less: Disallowed Expenditures

Nonofficial Expenditures	(531)
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Total Allowable Expenditures	\$	132,005
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The accompanying notes are an integral part of this financial statement.

HICKMAN COUNTY
MARK GREEN, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

Net Revenues	\$ 70,238
Less: Statutory Maximum	<u>60,683</u>
Excess Fees	9,555
Less: Training Incentive Benefit	<u>920</u>
Excess Fees Due County for 2011	8,635
Payment to Fiscal Court - February 13, 2011	<u>7,103</u>
Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 1,532</u></u>

The accompanying notes are an integral part of this financial statement.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2011

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2011 services
- Reimbursements for 2011 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2011

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HICKMAN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2011
 (Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent for the first six months and 18.96 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2011
(Continued)

Note 3. Deposits

The Hickman County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Hickman County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Drug Fund

The Hickman County Sheriff's Office maintains a Drug Fund Account as set forth by KRS 218A.435. This account is funded by court-ordered forfeitures of money and/or property. The funds are to be used for various law enforcement operations and equipment to fight against drug problems in Hickman County. As of January 1, 2011, the Drug Fund had a balance of \$12,554. During the year, funds of \$5,340 were received and \$11,827 was expended, leaving an ending balance of \$6,067 as of December 31, 2011.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Pruitt, Hickman County Judge/Executive
The Honorable Mark Green, Hickman County Sheriff
Members of the Hickman County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Hickman County Sheriff for the year ended December 31, 2011, and have issued our report thereon dated August 28, 2012. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Hickman County Sheriff's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2011-04 to be a material weakness.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hickman County Sheriff's financial statement for the year ended December 31, 2011, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described as 2011-01, 2011-02 and 2011-03 in the accompanying comments and recommendations.

This report is intended solely for the information and use of management, the Hickman County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen
Auditor of Public Accounts

August 28, 2012

COMMENTS AND RECOMMENDATIONS

HICKMAN COUNTY
MARK GREEN, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2011

STATE LAWS AND REGULATIONS:

2011-01 The Hickman County Sheriff Had \$531 Of Disallowed Expenditures For Calendar Year 2011

The Hickman County Sheriff had \$531 of disallowed expenditures for calendar year 2011 resulting from paid advertisement for high school sports, Christmas greetings and lump sum expenses. In accordance with Funk vs. Milliken, 317 S. W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. Disallowed expenditures should be repaid with a deposit of personal funds. We recommend that the Hickman County Sheriff repay \$531 from his personal funds to Hickman County Fiscal Court.

Sheriff's Response: "No response."

2011-02 The Hickman County Sheriff Should Make Deposits In A Timely Manner

KRS 68.210 gives the State Local Finance Officer the authority to establish minimum accounting requirements, which includes making deposits on a timely basis which should be made once the sheriff has collected \$500 or at a minimum on a weekly basis. Additionally, the practice of making timely deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible misappropriation. The Hickman County Sheriff makes most deposits on a weekly basis however the deposits are usually greater than \$500. We recommend that the deposits be made daily or at least when the official collects \$500 in receipts.

Sheriff's Response: "No response."

2001-03 The Hickman County Sheriff Did Not Properly Dispose Of A Firearm As Required By KRS 65.041

During testing, we noted that a firearm was sold to an employee of the sheriff's office. KRS 65.041 states, "When a police department, sheriff's department, or other agency of city, county, urban-county, or charter government or other unit of local government disposes of firearms or ammunition owned by that unit of local government, the disposition shall be by (a) Public auction to persons eligible under federal law to purchase the type of firearm or ammunition being offered for sale; (b) Traded to a federally licensed firearms dealer provided new firearms or ammunition to the agency; or (c) Transferred to another government agency or government-operated museum in Kentucky for official use or display." We recommend the sheriff dispose of firearms in the manner prescribed by KRS 65.041.

Sheriff's Response: "No response."

HICKMAN COUNTY
MARK GREEN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2011
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESS:

2011-04 The Hickman County Sheriff's Office Lacks An Adequate Segregation Of Duties

The Hickman County Sheriff's office lacks an adequate segregation of duties. Due to a limited number of staff, the bookkeeper is responsible for opening the mail, receiving and recording cash, preparing daily checkout procedures and preparing deposits, preparing disbursement checks, posting to the receipts and disbursements ledgers, reconciling bank records to the receipt and disbursement ledgers, and preparing quarterly financial reports.

Segregation of duties over these functions, or the implementation of compensating controls when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

Given the fact that the Sheriff has a limited staff and proper segregation is not achievable without the hiring of additional employees, the Sheriff should implement compensating controls to reduce the risk of misappropriation of assets associated with the lack of segregation of duties. Compensating controls such as strong oversight by the Sheriff or a designee could be an effective alternative. This oversight should include reviewing daily checkout procedures, monthly bank reconciliations, receipts and disbursements ledgers, and quarterly reports. Documentation, such as the Sheriff's or designee's initials or signature, should be provided on those items that are reviewed.

Sheriff's Response: "No response."

